

## Message Text

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ACTION CU-03

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FM AMEMBASSY HELSINKI

TO SECSTATE WASHDC 8234

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FOR CU ASST. SECY. RICHARDSON AND EUR ASST. SECY.  
HARTMAN FROM AMB. KREHBIEL

E.O. 11652: N/A

TAGS: PFOR, SCUL, OEXC, FI

SUBJ: KARJALAINEN PROPOSAL FOR LONG-TERM FINANCING  
OF EXCHANGES.

REF: (A) HELSINKI 2512, (B) STATE 11195.

1. SUMMARY: WE APPRECIATE DEPARTMENT'S AGREEMENT IN PRINCIPLE ON THE DESIRABILITY FINDING WAY FOR FINANCING US-FINNISH EXCHANGES AFTER 1984 BUT BELIEVE MORE CONSIDERATION MUST BE GIVEN TO CERTAIN ASPECTS OF KARJALAINEN PROPOSAL, PARTICULARLY POLITICAL ONES, BEFORE RESPONSE MADE TO FINNS. THIS INCLUDES PUBLIC SIGNIFICANCE OF FINNS NOT ONLY PAYING OFF DEBT IN ADVANCE -- IN THESE TIMES -- UT PROPOSING TO HELP PERPETUATE THE EXCHANGE PROGRAM. EMBASSY BELIEVES THIS SHOULD BE KEYED TO BICENTENNIAL AND ANNOUNCED JOINTLY AT PRESIDENTIAL LEVEL. REQUEST URGENT CONSIDERATION SUGGESTIONS BELOW SO THAT WE CAN MAKE EARLY AND FAVORABLE RESPONSE TO IDEA WHICH FINNISH LEADERSHIP CLEARLY CONSIDERS IMPORTANT CONTRIBUTION TO CONTINUING GOOD US-FINNISH RELATIONS.  
END SUMMARY

2. DURING MY MEETING WITH HEAD MFA POLITICAL DEPARTMENT  
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JANUARY 27, TUOVINEN EVINCED CONSIDERABLE CURIOSITY OUR

REACTION TO PROPOSAL ADVANCED BY FONMIN KARJALAINEN (REF A). THIS FINNISH INTEREST IS FURTHER EVIDENCE OF IMPORTANCE FINNISH LEADERSHIP, ESPECIALLY FONMIN KARJALAINEN, ATTACH TO EXCHANGES WITH THE US AND TO THE POLITICAL GESTURE THEY FEEL THE KARJALAINEN PROPOSAL REPRESENTS.

3. WE CANNOT IGNORE THE PUBLIC SIGNIFICANCE OF THIS OFFER: FINLAND, THE COUNTRY WITH THE REPUTATION OF BEING THE ONLY ONE TO PAY ITS DEBTS, NOW OFFERS TO PAY DEBT OFF IN ADVANCE, AND OBVERSELY, THE US IMMEDIATELY RETURNS IT TO FINLAND TO CARRY ON THE US-FINNISH EDUCATIONAL-CULTURAL EXCHANGE PROGRAM. TO DO JUSTICE TO THE FINNISH PROPOSAL, WE BELIEVE THESE TWO ACTIONS SHOULD BE ANNOUNCED JOINTLY AT PRESIDENTIAL LEVEL AND TIMED TO THE BICENTENNIAL.

4. MY STAFF IS UNANIMOUS IN BELIEVING WE CANNOT ASK THE FINNS TO BOTH CONTINUE TO MAKE PRESENT PAYMENTS ON SCHEDULE TO 1984 AND ALSO SET UP AN ADDITIONAL FUND TO MAINTAIN EDUCATIONAL-CULTURAL EXCHANGE PROGRAM AFTER 1984. AFTER ALL, THE FINNS ARE FULLY MEETING THEIR OBLIGATIONS AND NOW, WITH KARJALAINEN PROPOSAL, ARE PROPOSING DO MORE (I.E., REPAY THEIR LOW-INTEREST DEBT EARLY). DEPARTMENT'S PROPOSALS IN REF (B) IMPLY THAT THE US WOULD NOT CONSIDER, OR AT LEAST NOT RECOGNIZE, ADVANCE REPAYMENT BY THE FINNS. UNLESS THE US IS WILLING TO ACKNOWLEDGE THAT THE FINNS WOULD HAVE COMPLETELY REPAID THEIR INDEBEDNESS TO THE US ON THEIR WORLD WAR I LOAN, WE FEEL IT WOULD BE INACCURATE, AND POORLY UNDERSTOOD BY THE FINNS, FOR US TO SAY THAT WE ARE ACCEPTING THE KARJALAINEN PROPOSAL.

5. WE REALIZE THAT DEPARTMENT MAY BE CONCERNED THAT IF FINLAND DOES NOT CONTINUE ITS CURRENT LEVEL OF PAYMENTS UNTIL 1984, THERE WILL BE SOME REDUCTION IN FUNDING FOR EDUCATIONAL-CULTURAL EXCHANGES BETWEEN NOW AND THAT DATE. WE NOTE, HOWEVER, THAT FINNISH GOVERNMENT BONDS NOW PAY ABOUT 9 1/2 PERCENT INTEREST; IF THE FINNISH DEBT TO THE US IS INVESTED AT THIS INTEREST RATE, THE RESULTING LEVEL OF FUNDING FROM FINNISH SOURCES FOR EXCHANGES WOULD REPRESENT A CUTBACK OF ONLY ABOUT TWO GRANTS PER YEAR. THERE IS OF COURSE THE POSSIBILITY LIMITED OFFICIAL USE

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THAT HIGHER YIELDING SAFE INVESTMENTS DENOMINATED IN FINNMARKS COULD BE FOUND FOR THE APPROMATELY \$2.8 MILLION REMAINING IN FINLAND'S DOLLAR DEBT TO US (ON WHICH THE FINNS NOW PAYING 3 PERCENT).

6. WE FEEL THAT KARJALAINEN'S PROPOSAL IS NOT ONLY OF GREAT POLITICAL SIGNIFICANCE BUT ALSO A VALUABLE IDEA FOR PLACING US-FINNISH EXCHANGES AFTER 1984 ON SOLID

FINANCIAL BASIS. WE IN THE EMBASSY FEEL THAT ASSURING CONTINUATION OF FINANCING FOR US-FINNISH EXCHANGES AFTER 1984 AT APPROXIMATELY THE PRESENT LEVEL IS SUFFICIENTLY IMPORTANT AS TO WARRANT SOME SACRIFICE IN THE LEVEL OF EXCHANGES DURING THE NEXT 9-10 YEARS. ON THE BASIS OF INFORMAL CONTACTS WITH THE USEF, FCSTUS AND THE ACADEMIC COMMUNITY, WE BELIEVE THAT FINNS WOULD ALSO SUPPORT SUCH A TRADE-OFF WHOLEHEARTEDLY. THEIR CONCERN FOR POST-1984 IS REAL.

7. WE BELIEVE IT IMPORTANT THAT WE BE ABLE TO RESPOND IN A POSITIVE AND UNDERSTANDING FASHION TO FONMIN'S PROPOSAL IN THE VERY NEAR FUTURE. WE ARE RELIABLY INFORMED THAT PRESIDENT KEKKONEN'S OFFICE SUPPORTS THE PROPOSAL. WE CONSIDER IT VERY SIGNIFICANT THAT KARJALAINEN, WHO IS FRONT-RUNNER TO SUCCEED KEKKONEN AS PRESIDENT OF FINLAND, IS IDENTIFYING HIMSELF WITH THIS PROPOSAL. THE FINNS CLEARLY CONSIDER THAT WHAT KARJALAINEN HAS SUGGESTED IS A SIGNIFICANT DEMONSTRATION OF TOP-LEVEL POLITICAL INTEREST IN CONTINUING CLOSE RELATIONS WITH THE US AND THEY WILL FIND IT DIFFICULT TO COMPREHEND A LONG DELAY OR A NEGATIVE RESPONSE ON OUR PART.

8. I URGE THE DEPARTMENT TO LOOK AT THE KARJALAINEN PROPOSAL AGAIN IN THE LIGHT OF ITS POLITICAL IMPORTANCE AND UNDERTAKE WHATEVER CONSULTATIONS IT FEELS NECESSARY TO ENABLE US TO RESPOND FAVORABLY IN THE VERY NEAR FUTURE. WE DO NOT THINK THAT OBTAINING APPROVAL FROM CONGRESS, IF SUCH IS REQUIRED, IS AN INSUPERABLE PROBLEM CONSIDERING THAT FINLAND FOR YEARS MOST FAVORABLY KNOWN IN CONGRESS AND US PUBLIC GENERALLY AS THE ONLY COUNTRY WHICH HAS PAID ITS WORLD WAR I DEBT TO THE US. WE FEAR IT WOULD LIMITED OFFICIAL USE

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BE COUNTERPRODUCTIVE, IF NOT INSULTING, FOR US TO APPROACH KARJALAINEN ON THE BASIS OF THE GUIDANCE WHICH WE HAVE SO FAR RECEIVED, AND HOPE RECEIVE REVISED GUIDANCE SOONEST.

9. THE FORM AND MODALITIES OF KARJALAINEN'S PROPOSAL CAN BE NEGOTIATED LATER, IF WE ARE ABLE TO GIVE OUR CONCEPTUAL APPROVAL TO THE FINNS NOW OF THE PRINCIPAL POINT; I.E., THEY PAY THE DEBT OFF NOW AND THE US GIVE PRINCIPAL BACK TO ENDOW PERMANENT FUND FOR EXCHANGES. TIME IS IMPORTANT IF THE FINNS ARE TO PUT THIS INTO THEIR BUDGET PROPOSAL IN THE NEXT COUPLE OF MONTHS.  
KREHBIEL

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